Mining’s contribution to sustainable development

The 10th Risk Mitigation and CSR Seminar
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ICMM at a glance

CEO led
21 Company members

35 Association members

Over 800 sites in 62 countries
ICMM’s goal and objectives

**Goal:** To enhance the value creation role and long-term net contribution of the mining, minerals and metals industry and its products to people, the environment and economies

**Specific objectives**

- Improve sustainability performance
- Listen to others and anticipate change
- Communicate contribution to sustainable development
- Strengthen engagement capacity
- Seek fair and consistent regulation
- Represent collective views and interests of members
Trends - global level

- Financial uncertainty
- More socially conscious consumers
- Trust in industry falling
- Increasing demands for transparency
- Climate change
- Rule-setting moving to national and sub-national levels
Trends - country and local levels

- Resource nationalism
- Limited understanding of benefits, costs and risks
- Not all responsibilities and accountabilities addressed
- Increasing conflict
- Importance of mining in low and middle income countries

Increasing conflict

Not all responsibilities and accountabilities addressed

Limited understanding of benefits, costs and risks

Resource nationalism

Importance of mining in low and middle income countries
Mining’s contribution – the series

1. Mining’s contribution to sustainable development – an overview
2. Trends in the mining and metals industry
3. The role of mining in national economies
4. The role of minerals and metals in a low carbon economy
5. Human rights, social development and the mining and metals industry
Population growth and the speed of urbanization in China and Asian countries has created unprecedented demand for minerals and metals.
## Mining has a growing role in national economies

### Top countries in terms of production value

<table>
<thead>
<tr>
<th>Rank and country</th>
<th>2010 Production value (current US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Australia</td>
<td>US $ 72m</td>
</tr>
<tr>
<td>2. China</td>
<td>US $ 69m</td>
</tr>
<tr>
<td>3. Brazil</td>
<td>US $ 47m</td>
</tr>
<tr>
<td>4. Chile</td>
<td>US $ 31m</td>
</tr>
<tr>
<td>5. Russian Federation</td>
<td>US $ 29m</td>
</tr>
<tr>
<td>10. Canada</td>
<td>US $ 14m</td>
</tr>
</tbody>
</table>

### Top countries in terms of reliance on export of metallic minerals

<table>
<thead>
<tr>
<th>Rank and country</th>
<th>Mineral export contribution 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Botswana</td>
<td>83.7%</td>
</tr>
<tr>
<td>2. Zambia</td>
<td>83.6%</td>
</tr>
<tr>
<td>3. Dem. Rep. of the Congo</td>
<td>78.3%</td>
</tr>
<tr>
<td>4. Mongolia</td>
<td>77.6%</td>
</tr>
<tr>
<td>5. Suriname</td>
<td>75.4%</td>
</tr>
<tr>
<td>?. Canada</td>
<td>11.9%</td>
</tr>
</tbody>
</table>
The time horizon disconnect

- Mining investments, 30-100 year horizon
- Government, 3-5 year horizon
- Indigenous peoples, multi-generation
- Communities, often immediate
- Price, constant change
Mining: Partnerships for Development Toolkit

• Measuring **economic & social impacts** and their interaction with the existing governance framework
  - positive and negative impacts
  - national and local impacts

• Assessing the main causes (**success factors and failings**) underlying those impacts – including governance factors

• Multi-stakeholder collaboration to develop **practical partnership ideas** that address capacity gaps and enhance mining’s contribution

To date the toolkit has been applied in 10 countries
MPD in-country work

Establish objective evidence base and potential priority areas

- MPD Toolkit methodology to establish objective evidence base
- Identify potential priority areas to discuss

Convene multistakeholder platform to identify actions

- Convene neutral platform for stakeholders to discuss diagnosis and agree on actions
- Develop practical partnership ideas that address capacity gaps and enhance mining’s contribution

Steer implementation and provide expert support

- Partner in implementing select agreed actions
- Provide expertise in guiding implementation

Local Content
Economic benefits

Figure 4: Macroeconomic contributions to low and middle income economies

FOREIGN DIRECT INVESTMENT (FDI)
Mining FDI often dominates the total flow of FDI in low income economies that have only limited other attractions for international capital

EXPORTS
Mineral exports can rapidly rise to be a major share of total exports in low income agrarian economies even when starting from a low base

GOVERNMENT REVENUE
Mineral taxation has become a very significant source of total tax revenues in many low income economies with limited tax-raising capacity

NATIONAL INCOME (GDP AND GNI)
Modern-day mineral-process technology is sophisticated and highly capital intensive; locations are centralized as a result and most upstream value addition takes place outside the mine-host country

EMPLOYMENT
Mine employment on its own is usually small relative to the total national labour force

60–90% of total FDI
30–60% of total exports
3–20% of government revenues
3–10% of total national income
1–2% of total employment
Success factors are multi-faceted

Case studies have shown:

- Sound national macro-economic management
- Revenue transparency
- Avoidance of mineral revenues funding conflicts over their distribution
- Reasonable standards of national governance
- Responsible behaviour by companies – sound MDAs
- Implementation of key international initiatives: EITI, Voluntary Principles

Positive impacts depend on all of these factors…

…but can be further enhanced by these…

- Quality of governance at the sub-national level (regional and local institutions)
- Quality of collaboration between government, companies, development partners and civil society organizations to enhance contributions in particular challenging areas, including:
  Mining AND
  (1) poverty reduction,
  (2) revenue management,
  (3) regional planning,
  (4) local content,
  (5) social investment, and
  (6) dispute resolution.

These emphasize the inherently local nature of mining and the collaborative support needed to overcome challenges in these areas.
To download the series:

http://www.icmm.com/library/minings-contribution